

Message Text

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 XMB-01 EB-03 L-01 INR-05 SP-01

EUR-08 SAM-01 RSC-01 /040 W
----- 021116

P 041150Z FEB 75

FM AMCONSUL LOURENCO MARQUES
TO SECSTATE WASHDC PRIORITY 3232
INFO AMEMBASSY LISBON PRIORITY

C O N F I D E N T I A L LOURENCO MARQUES 128

LIMDIS

FOR STATE AND EXIMBANK

AF FOR DEPUTY ASST SECY BLAKE

E.O. 11652: GDS

TAGS: EFIN, ELTN, MZ

SUBJECT: EXIMBANK LOANS TO MOZAMBIQUE

REF: (A) STATE 22725; (B) LOURENCO MARQUES 1106;
(C) LOURENCO MARQUES 010

1. I WOULD LIKE TO REGISTER MY ANGER OVER THE SEEMINGLY
NEGATIVE TONE OF PARAS 1 AND 2 OF REF A. RE PARA 1, THE FIRST
SENTENCE OF THE TELEGRAM STATES, "DUE CONSIDERATION WILL BE
GIVEN TO LOAN APPLICATION FOR MOZAMBIQUE BORROWERS AFTER
INDEPENDENCE". I AM FULLY AWARE THAT EXIMBANK HAS CERTAIN
IMPORTANT AND VALID CRITERIA CONCERNING CREDIT GUARANTEES.
HOWEVER, I FIND IT DIFFICULT TO EXPLAIN THAT IT WILL NOT
CONSIDER POTENTIAL LOAN APPLICATIONS FROM MOZAMBIQUE PRIOR
TO INDEPENDENCE. THOUGH CURRENTLY EXPERIENCING FINANCIAL
DIFFICULTIES, MOZAMBIQUE IS A RESOURCE-RICH, BASICALLY VIABLE
COUNTRY WITH IMMENSE POTENTIALITIES IN TERMS OF PORTS,
RAILROADS, ELECTRIC POWER AND MINERALS. IT IS ALSO A GOOD
MARKET FOR SUCH U.S. TRANSPORTATION EQUIPMENT AS MORE LOCO-
MOTIVES, BOEING AIRCRAFT AND POSSIBLY FURTHER EQUIPMENT FOR
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CABORA BASSA. IF REFTTEL MEANS THAT THE ECONOMIC SURVEY TEAM

WILL NOT BE GIVEN AUTHORITY TO DISCUSS EXIMBANK LOAN POSSIBILITIES WITH LOCAL AUTHORITIES, I RECOMMEND REVERSAL SUCH DECISION.

2. RE PARA 2 REFTTEL, ALTHOUGH A FEW LOANS IN THE PAST HAVE BEEN CHANNELLED TO MOZAMBIQUE THROUGH ENTITY IN METROPOLITAN PORTUGAL, OUR EXPERIENCE WITH EXIMBANK CREDIT 4344 FOR SALE OF 22 GE LOCOMOTIVES TO MOZAMBIQUE HARBOR AND TRANSPORT ADMINISTRATION (CFM) SHOWS THIS IS NO LONGER A REALISTIC BASIS FOR EXTENDING CREDITS TO MOZAMBIQUE. THIS PROPOSED EXIMBANK CREDIT HAS BEEN PENDING FOR OVER A YEAR BECAUSE OF RELUCTANCE OF THE GOP TO PROVIDE REQUESTED FOREIGN EXCHANGE ASSURANCES AND, UNLESS EXIMBANK'S APPROACH CHANGES, WILL PROBABLY NEVER BE CONCLUDED. IN THE MEANTIME CFM WENT AHEAD AND IMPORTED LOCOMOTIVES BY CONTRACTING AN INTERIM HIGH INTEREST LOAN FROM CHASE MANHATTAN. MOZAMBIQUE OFFICIALS ARE BITTER ABOUT THE TRANSACTION AND BLAME US RATHER THAN THE GOP FOR THE DELAY IN THIS EXIMBANK LOAN.

3. HAVING SAID THIS, I DO APPRECIATE INTEREST SHOWN IN REFTTEL IN ATTEMPTING TO STRAIGHTEN OUT LOCOMOTIVE LOAN, WHICH HAS BEEN AND STILL IS IRRITANT IN U.S.- MOZAMBIQUE RELATIONS. (MOREOVER, LOAN WOULD PROVIDE BENEFITS OUTLINED PARA 2, REF C.). HOWEVER, ARGUMENT THAT GOP SHOULD PROVIDE EXCHANGE ASSURANCES BECAUSE BNU IS PORTUGUESE GOVERNMENT-CONTROLLED ENTITY LACKS VALIDITY AND IS HIGHLY UNLIKELY TO BE ACCEPTABLE TO GOP. GOP IS IN PROCESS OF MAKING OVERSEAS BNU BRANCHES INDEPENDENT BANKS, EACH WITH ASSETS AND LIABILITIES CORRESPONDING TO TRANSACTIONS IN THEIR AREAS. IN MOZAMBIQUE, SOME OF BNU'S ASSETS, LIABILITIES, AND FUNCTIONS (I.E., BANK OF ISSUE) WILL BE TRANSFERRED TO CENTRAL BANK TO BE CREATED UPON INDEPENDENCE.

4. VIEW ABOVE, BELIEVE IT MORE APPROPRIATE TO REQUEST THAT BNU MOZAMBIQUE BRANCH BE OBLIGATOR AND MOZAMBIQUE GOVERNMENT'S INSPERCAO DE CREDITO SEGUROS PROVIDE FOREIGN EXCHANGE ASSURANCE FOR CREDIT 4344. SUGGEST THIS WHOLE MATTER BE DISCUSSED BY DUNCAN WITH GOP ECONOMIC-FINANCIAL NEGOTIATING TEAM (WHICH HAS JUST BEEN IN LOURENCO MARQUES DISCUSSING ESTABLISHMENT OF INDEPENDENT BNU AND OF CENTRAL BANK) AS WELL
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AS WITH BNU OFFICIALS WITH A VIEW TO EARLY APPROVAL OUTSTANDING LOCOMOTIVE LOAN PROPOSAL.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ROLLING STOCK, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 04 FEB 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LOUREN00128
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750040-0626
From: LOURENCO MARQUES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750274/aaaacpar.tel
Line Count: 110
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 75 STATE 22725, 75 LOURENCO MARQUES 1106
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUN 2003 by CunninFX>; APPROVED <15 DEC 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXIMBANK LOANS TO MOZAMBIQUE
TAGS: EFIN, ELTN, MZ, XMB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006